

**South Carolina Retirement System Investment Commission
Planning Committee Meeting Minutes**

April 23, 2014

**South Carolina Retirement System Investment Commission
1201 Main Street, 15th Floor
Columbia, SC 29201
Meeting Location: Presentation Center**

Committee Members Present:

Dr. Rebecca Gunnlaugsson, Chairman
Dr. Ronald Wilder
Mr. Reynolds Williams

Others present for all of or a portion of the meeting on Tuesday, April 23, 2014:

Andrew Chernick, Sarah Corbett, Dori Ditty, Robert Feinstein, Hershel Harper, Monica Houston, James Manning, Brittany Storey, and Danny Varat from the South Carolina Retirement System Investment Commission ("RSIC"); Melinda Al-Hasan and David Padgett from the State Treasurer's Office; Wayne Pruitt and Donald Tudor from The State Retirees Association of South Carolina.

- I. **Call to Order:** Dr. Rebecca Gunnlaugsson called the meeting of the RSIC Planning Committee ("Committee") to order at 3:05 p.m. There were no objections to the proposed agenda.
- II. **Approval of Minutes from April 1, 2014 Meeting:** Mr. Reynolds Williams moved to approve the minutes from the April 1, 2014 Committee meeting. The motion was seconded by Dr. Ronald Wilder and unanimously approved.
- III. **Update on Priority Recommendations Identified at April 1, 2014 Meeting:** Chairperson Gunnlaugsson began the meeting with discussion of the previously identified priority recommendations. Developing a Statement of Investment Beliefs and the realignment of the Commissioner duties to move out of due diligence for investment managers and into oversight was first discussed. The second priority Chairperson Gunnlaugsson explained, is that the Committee was attempting to formalize the current practice for Commissioners to add items to Commission meeting draft agendas. The Committee discussed the draft changes to the Commission Operations Policy (Governance Policy IV), which would (1) eliminate the language allowing Commissioner participation in investment manager due diligence; (2) require that new Commissioners attend an investment management due diligence trip during his or her first two years of service to the Commission for educational purposes; (3) provide additional detail and formalize the process by which items are added to the draft agenda for Commission meetings by Commissioners. Mr. Williams made a motion that Governance Policy IV, as amended, be recommended by the Committee to the Commission for

approval at the next Commission meeting. Dr. Wilder seconded the motion and it was approved unanimously.

Mr. Williams summarized the work that had been done related to the draft Statement of Investment Principles and made a motion that the draft Statement of Investment Principles be recommended to the Commission for adoption. Mr. Harper added that he believed the draft document should be presented at the May 1st Commission meeting and feedback and comments from the Commissioners could be provided during the two weeks following the May 1st Commission meeting. He noted that the two week period would allow the staff time for consolidation of comments prior to presentation for final approval during the June Commission Meeting. He further explained that once the Statement of Investment Principles is approved, it will become part of the Statement of Investment Objectives and Policies.

Chairperson Gunnlaugsson explained that the Compensation Committee had previously met and taken action to help implement some of the Funston recommendations. Chairperson Gunnlaugsson noted that the Compensation Committee would be making a recommendation to the Commission to amend its charter to capture several of the recommendations made by Funston.. Chairperson Gunnlaugsson informed the Committee that the Human Resources Director position, as recommended by Funston, had been posted.

Chairperson Gunnlaugsson explained that the priority to develop and integrate the legal investment function would have a motion at the May 1st Commission Meeting dealing with the repeal of the 30 day waiting period between completion of negotiation and contract closing. Chairperson Gunnlaugsson stated that representatives from Funston will present its final report at the May 1st Commission Meeting. She added that there was some conflicting language in Funston's final report relating to whether the 30 day period should be immediately eliminated or eliminated at a later time. Chairperson Gunnlaugsson noted that the May 1st Commission meeting will provide an opportunity for Commissioners to ask about the conflicting statements regarding the timing of the removal of the 30 day waiting period. Ms. Corbett suggested making a historical timeline of the 30 day review process. Chairperson Gunnlaugsson asked Mr. Robert Feinstein, Chief Legal Officer to present the 30 day review process information at the May 1st Commission Meeting. Mr. Williams made a motion for the Committee to recommend that the Commission (i) repeal the Motion approved on July 19, 2012, which stated: "the Commission would not move to a final investment contract unless each Commissioner has a minimum of 30 days to look at all final documents" and (ii) that the removal of the requirement for the review period apply to all pending and future investments, including renewals. Dr. Wilder seconded the motion and it was unanimously approved.

Chairperson Gunnlaugsson continued to list the Committee's priorities. Dr. Wilder explained that much of what Funston recommended about relating to enterprise risk management was already in progress at the time of the fiduciary audit. Mr. Andrew Chernick, Director of Enterprise Risk Management and Compliance, explained that there was disconnect between the Governance Policies and the Audit Committee charter amendment that will be presented by the Audit Committee

during the Commission's May 1st meeting related to enterprise risk management. Mr. Chernick noted that the matter would be discussed with Funston during the coming week.

Chairperson Gunnlaugsson revisited the draft of the Statement Investment Principles that would be presented at the May 1st Commission Meeting. Mr. Harper reiterated that all of the Commissioners should be given the opportunity to provide feedback no later than two weeks post presentation to the Commission. Mr. Williams made a motion that the Statement of Investment Principles be presented to the Commission at the May 1st Commission meeting, subject to a two week response period (ending May 15th), and a consolidated version of the document and comments be presented as a final draft for Commission approval during the June 2014 Commission meeting. Dr. Wilder seconded the motion and it was approved unanimously. Mr. Harper informed the Committee that there was a proposed update to the Annual Investment Plan.

- IV. Update on Additional Priorities as Recommended by Funston:** Mr. Williams discussed that Funston had suggested that RSIC improve stakeholder relations by means of a coordinated communications plan, outreach efforts, and being more proactive than reactive to criticisms. Chairperson Gunnlaugsson informed the Committee that Funston's representatives stated that they could not emphasize enough how critical these items were to the organization. Mr. Williams suggested that the recommendation should be turned into an action item with Chairperson Gunnlaugsson appointing a team to handle the matter. Ms. Corbett volunteered herself to be part of that team and stated that first key stakeholder groups must be identified.
- V. Executive Session to discuss personnel matters and receive legal advice and briefings, pursuant to S.C. Code Ann. §§30-4-70(a)(1)-(2) :** Chairperson Gunnlaugsson requested a motion to recede into executive session to receive advice from legal counsel and discuss personnel matters. Dr. Wilder made the motion, which was seconded by Mr. Williams, and passed unanimously. Chairperson Gunnlaugsson announced the Committee would meet in executive session and the Committee receded into executive session at 3:38 p.m.
- VI. Adjournment:** The Committee reconvened in open session at 4:15 p.m. Given no further business on items discussed and no votes taken, the meeting adjourned at 4:15 p.m.

[Staff Note: In compliance with S.C. Code Ann. §30-4-80, public notice of and the agenda for this meeting were delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies and near the 15th Floor Conference Room at 1201 Main Street, Columbia, SC, at 2:45 p.m. on April 21, 2014.]